

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SMS-01 SAA-01 SES-02 SP-02
ICA-11 AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-07
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-10
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03 PA-01
ACDA-12 /121 W

-----004170 300524Z /10

R 291403Z AUG 78
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 6153
INFO AMEMBASSY BERLIN
AMEMBASSY CAIRO
AMEMBASSY PRAGUE
AMEMBASSY WARSAW

C O N F I D E N T I A L MOSCOW 20697

E.O. 11652: GDS
TAGS: EEWT, EG, ECON, UR
SUBJECT: EGYPTIAN-SOVIET TRADE RELATIONS

REF: CAIRO 11721 AND PREVIOUS

1. EGYPTIAN EMBASSY COMMERCIAL OFFICER (RIZK) TOLD
EMBOFFS AUGUST 28 THAT EGYPTIAN-SOVIET TRADE THIS
YEAR IS PROCEEDING SMOOTHLY IN ABSENCE OF A TRADE
PROTOCOL. INDIVIDUAL CONTRACTS HAVE BEEN SIGNED FOR
SOVIET EXPORTS COVERED IN LAST YEAR'S PROTOCOL AND FOR
EXPORTS OF EGYPTIAN COTTON YARN AND NON-TRADITIONAL
GOODS. TRADE WITH CZECHOSLOVAKIA ALSO IS TAKING PLACE
ON ITEM BY ITEM CONTRACT BASIS UNDER CLEARING ACCOUNT,
WHILE TRADE WITH POLAND IS BEING CARRIED OUT "IN
CONVERTIBLE CURRENCIES."

2. RIZK SAID PROJECTED EGYPTIAN EXPORTS THIS YEAR
SHOULD APPROACH 1977 LEVELS, MINUS VALUE OF COTTON
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SHIPMENTS. ASSUMING THAT VALUE OF SOVIET EXPORTS
REMAINS THE SAME AS IN 1977, EGYPTIAN SURPLUS/DEBT
REPAYMENT WOULD BE APPROXIMATELY \$13.5 MILLION, CLOSE
TO LIMITATION IMPOSED BY EGYPTIANS. RIZK SAID THAT
THERE HAVE BEEN NO DELAYS THUS FAR IN CONTRACTED
SOVIET SHIPMENTS TO EGYPT, NOTABLE OF COKING COAL
AND DELIVERIES OF SPARE PARTS. HOWEVER, SOVIETS HAD

STALLED NEGOTIATIONS ON CONTRACT FOR SAWN TIMBER
THIS SPRING, AND CONTRACT WAS SIGNED ONLY IN JUNE;
IT THUS WILL BE DIFFICULT FOR DELIVERIES TO REACH 1977
LEVEL. RIZK SAID THAT EGYPTIANS PLAN REVIEW IN
OCTOBER OF THREE-QUARTER TRADE STATISTICS AND
WILL REDUCE EXPORTS IF NECESSARY IN FINAL QUARTER TO
LIMIT SURPLUS/DEBT REPAYMENT TO PLANNED LEVEL.

3. RIZK STATED THAT SOVIET AGREEMENT TO CONDUCT BUSINESS
AS USUAL WITH EGYPT WAS ESPECIALLY WELCOME TO CAIRO
GIVEN DIFFICULTY OF FINDING ALTERNATIVE MARKETS FOR ITS
LOW QUALITY NON-TRADITIONAL EXPORTS. HE EXPRESSED OPINION
THAT, DESPITE COTTON EMBARGO, CAIRO'S UNILATERAL DECLAR-
ATION OF MORATORIUM ON MILITARY DEBT REPAYMENT, AND
DISAGREEMENT ON AMOUNT OF REPAYMENT ON ECONOMIC DEBT,
SOVIETS FINALLY HAD BEEN PERSUADED TO GO ALONG
BY ARGUMENT THAT SHARP REDUCTION IN BILATERAL TRADE
WOULD ELIMINATE ONLY REMAINING SUBSTANTIVE ELEMENT IN
BILATERAL RELATIONS. GARRISON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, FOREIGN RELATIONS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 29 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MOSCOW20697
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780353-0802
Format: TEL
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780813/aaaaakua.tel
Line Count: 81
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2cdf759-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 CAIRO 11721
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1591449
Secure: OPEN
Status: NATIVE
Subject: EGYPTIAN-SOVIET TRADE RELATIONS
TAGS: EEWT, ECON, EG, UR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/2cdf759-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014